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## Statement of Rep. Christopher Shays July 7, 2004

The business of the Department of Defense is to train, equip and deploy military forces to secure vital national interests. That critical enterprise cannot be planned or executed successfully on paper-based, error-prone management systems. The citizen-soldiers we call upon today, and in the future, to conduct the nation's most dangerous business deserve to be supported by 21<sup>st</sup> century business systems as smart as the weapons they wield.

But, the Department continues to report material weaknesses in virtually every aspect of its business operations. Fundamentally flawed business systems affect mission effectiveness and can contribute to the waste, abuse and fraud identified by the General Accounting Office (GAO). For example, DOD was unable to provide timely and accurate salary payments to mobilized Army National Guard soldiers. And, due to poor inventory controls, GAO found that DOD sold new Joint Service Logistics Integrated Suit Technology (JLIST) on the Internet for \$3 while at the same time the Pentagon was buying these chemical and biological personal protection suits for over \$200.

In March 2003, DOD witnesses promised a sustained, far-reaching effort to transform Pentagon financial management into a precision tool of program formulation, program execution and detailed accountability. To measure the depth of that commitment, we asked GAO to identify DOD's fiscal year 2004 estimated funding for business systems, determine if DOD has effective control and accountability over business system investments and determine whether selected business systems will effectively manage and resolve DOD's financial management problems.

Today, GAO will testify the Department of Defense has made little progress implementing business modernization plans. As a result, DOD still cannot produce the reliable and timely information needed to inform critical decisions. Billions continue to be invested in business systems with inadequate oversight and accountability. Duplicate systems continue to be developed in a stovepiped environment yielding only parochial solutions to yesterday's business problems.

Because DOD is one of the largest and most complex organizations in the world, overhauling its business operations represents a huge management challenge. This year, the Department requested \$19 billion to maintain, operate and improve business data systems. Yet the two case studies in today's GAO report appear to prove that more, rather than smarter, spending on business systems will not produce corporate solutions to longstanding financial management problems.

We appreciate the continued assistance, and the persistence, of the GAO in our ongoing oversight of DOD business system modernization. We welcome all our witnesses today and look forward to their testimony.